COLLINS COMMUNITY CREDIT UNION
AND ITS SUBSIDIARY
Cedar Rapids, Iowa

CONSOLIDATED
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

Members of the Audit Committee and
Board of Directors
Collins Community Credit Union
Cedar Rapids, Iowa

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Collins Community Credit Union and its subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collins Community Credit Union and its subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 14, 2014

COLLINS COMMUNITY CREDIT UNION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
Cash and Cash Equivalents	$ 48,270,295	$ 53,860,235
Securities - Available-for-Sale	136,061,397	121,493,330
Other Investments	8,172,400	9,212,500
Loans Held-for-Sale	2,708,345	14,802,769
Loans, Net	522,873,217	508,915,881
Accrued Interest Receivable	1,713,062	1,757,711
Premises and Equipment, Net	8,692,308	9,134,437
NCUSIF (National Credit Union Share Insurance Fund) Deposit	6,320,702	6,094,307
Real Estate Contracts Receivable	-	616,750
Other Assets	3,186,763	1,066,638
TOTAL ASSETS	$ 737,998,489	$ 726,954,558

LIABILITIES AND MEMBERS' EQUITY

	2013	2012
LIABILITIES		
Members' Share and Savings Accounts	$ 658,254,174	$ 629,565,742
Borrowed Funds	-	20,000,000
Accrued Interest Payable	67,366	61,876
Accrued Expenses and Other Liabilities	7,497,311	13,627,452
Total Liabilities	665,818,851	663,255,070
MEMBERS' EQUITY		
Regular Reserves	19,127,643	18,299,086
Other Reserves	55,900,000	50,900,000
Undivided Earnings	656,700	530,749
Accumulated Other Comprehensive Loss	(3,504,705)	(6,030,347)
Total Members' Equity	72,179,638	63,699,488
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 737,998,489	$ 726,954,558

See accompanying notes to consolidated financial statements.

COLLINS COMMUNITY CREDIT UNION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
INTEREST INCOME		
Loans	$ 23,941,792	$ 24,290,520
Securities and Cash Equivalents	3,627,039	3,889,342
Real Estate Contract Receivables	28,762	33,806
Loans Held-for-Sale	127,266	255,755
Total Interest Income	27,724,859	28,469,423
INTEREST EXPENSE		
Members' Share and Savings Accounts	5,595,993	7,210,406
Borrowed Funds	9,258	29,688
Total Interest Expense	5,605,251	7,240,094
Net Interest Income	22,119,608	21,229,329
PROVISION FOR LOAN LOSSES	1,842,323	4,019,600
Net Interest Income After Provision for Loan Losses	20,277,285	17,209,729
NON-INTEREST INCOME		
Service Charges and Fees	8,392,462	7,737,481
Other Non-Interest Income	1,270,729	930,716
Gain on Sales of Investments	431,974	2,621
Gain on Sales of Premises and Equipment	11,539	92,629
Gain (Loss) on Sales of Foreclosed Assets	13,286	(57,090)
Gain on Sales of Real Estate Held-for-Sale	77,415	815
Gain on Sales of Loans Held-for-Sale	1,625,996	2,282,790
Total Non-Interest Income	11,823,401	10,989,962
NON-INTEREST EXPENSE		
Compensation and Benefits	14,712,260	13,349,604
Occupancy	1,446,214	1,433,926
Operations	3,747,538	3,978,835
Professional and Outside Services	5,185,770	5,123,032
Share Insurance Premium	505,656	578,959
Other Expenses	548,740	624,209
Total Non-Interest Expense	26,146,178	25,088,565
NET INCOME	$ 5,954,508	$ 3,111,126

See accompanying notes to consolidated financial statements.

COLLINS COMMUNITY CREDIT UNION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
NET INCOME	$ 5,954,508	$ 3,111,126
OTHER COMPREHENSIVE INCOME:		
Securities - Available-for-Sale		
Unrealized Holding Gain (Loss) Arising During the Period	(3,558,573)	533,104
Reclassification for Gains Included in Net Income	(431,974)	(2,621)
Subtotal	(3,990,547)	530,483
Defined Benefit Plan		
Gain Recognized During the Period	785,053	687,858
Gain (Loss) Incurred During the Period	5,439,484	(1,145,076)
Subtotal	6,224,537	(457,218)
Post-Retirement Benefit Plan		
Gain Recognized During the Period	10,739	24,197
Gain Incurred During the Period	280,913	107,020
Subtotal	291,652	131,217
TOTAL OTHER COMPREHENSIVE INCOME	2,525,642	204,482
TOTAL COMPREHENSIVE INCOME	$ 8,480,150	$ 3,315,608

See accompanying notes to consolidated financial statements.

COLLINS COMMUNITY CREDIT UNION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2013 AND 2012

	Legal Reserve	Other Reserves	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCES, DECEMBER 31, 2011	$ 17,554,860	$ 48,400,000	$ 663,849	$ (6,234,829)	$ 60,383,880
Net Income	-	-	3,111,126	-	3,111,126
Other Comprehensive Income	-	-	-	204,482	204,482
Transfers, Net	744,226	2,500,000	(3,244,226)	-	-
BALANCES, DECEMBER 31, 2012	18,299,086	50,900,000	530,749	(6,030,347)	63,699,488
Net Income	-	-	5,954,508	-	5,954,508
Other Comprehensive Income	-	-	-	2,525,642	2,525,642
Transfers, Net	828,557	5,000,000	(5,828,557)	-	-
BALANCES, DECEMBER 31, 2013	$ 19,127,643	$ 55,900,000	$ 656,700	$ (3,504,705)	$ 72,179,638

See accompanying notes to consolidated financial statements.

COLLINS COMMUNITY CREDIT UNION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 5,954,508	$ 3,111,126
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	969,560	927,490
Amortization of Security Premiums/Discounts, Net	73,333	765,307
Amortization of Deferred Loan Fees and Costs, Net	670,332	455,162
Provision for Loan Losses	1,842,323	4,019,600
Loss (Gain) on Sale of Investments, Net	431,974	(2,621)
(Gain) Loss on Sale of Foreclosed Assets, Net	(13,286)	57,090
Gain on Sale of Real Estate Held-for-Sale, Net	(77,415)	(815)
Gain on Sale of Premises and Equipment. Net	(11,539)	(92,629)
Changes in:		
Loans Held-for-Sale	12,094,424	(4,767,801)
Accrued Interest Receivable	44,649	11,059
Other Assets	(374,365)	32,860
Accrued Interest Payable	5,490	(5,784)
Accrued Expenses and Other Liabilities	386,048	916,723
Net Cash Provided by Operating Activities	21,996,036	5,426,767
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Repayments or Maturity of Securities Available-for-Sale	31,304,239	35,772,162
Proceeds from Sales of Securities Available-for-Sale	3,085,505	460,515
Purchases of Securities Available-for-Sale	(53,453,665)	(46,540,852)
Proceeds from Repayments or Maturity of Other Investments	1,090,000	6,000,000
Purchase of Other Investments	(49,900)	(919,500)
Loans Originations Net of Principal Collected on Loans to Members	(18,701,616)	(35,765,002)
Payments Received on Real Estate Contracts	694,165	5,005
Increase in NCUSIF Deposit	(226,395)	(501,721)
Proceeds from Sale of Foreclosed Assets	499,151	383,840
Proceeds from Sale of Premises and Equipment	30,548	247,266
Purchases of Premises and Equipment	(546,440)	(1,053,277)
Net Cash Used in Investing Activities	(36,274,408)	(41,911,564)

COLLINS COMMUNITY CREDIT UNION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	$ 28,688,432	$ 17,013,455
Proceeds from Borrowed Funds	-	20,000,000
Payments on Borrowed Funds	(20,000,000)	-
Net Cash Provided by Financing Activities	8,688,432	37,013,455
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,589,940)	528,658
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,860,235	53,331,577
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 48,270,295	$ 53,860,235
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest:		
Dividends on Members' Share and Savings Accounts	$ 5,590,503	$ 7,216,190
Interest on Borrowed Funds	9,258	29,688
Total	$ 5,599,761	$ 7,245,878
Transfers from Loans to Foreclosed Assets (Other Assets)	$ 2,231,625	$ 202,030

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Collins Community Credit Union is a state chartered credit union organized under the State of Iowa Consumer Credit Code and administratively responsible to the State of Iowa Credit Union Division. The primary purpose is to promote thrift among, and create a source of credit for its members. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws, as generally described below.

Principles of Consolidation

The consolidated financial statements include the accounts of Collins Community Credit Union (the Credit Union) and its wholly-owned subsidiary, 1150 Properties, LLC (CUSO). The CUSO was formed in May 2010 and is engaged in property management services for select properties that have been sold on real estate contract by the Credit Union. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The allowance for loan losses and the valuations for the defined benefit pension plan and post-retirement benefit plan involve certain significant estimates made by management. It is reasonably possible those circumstances may change in the near-term future, and that the effect of these changes could be material to the consolidated financial statements.

Significant Group Concentrations of Credit Risk

The Credit Union provides a variety of financial services to its members, most of whom are employees of or retired employees of Rockwell Collins, and selected employee groups within the region. The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside in the following counties in Iowa: Linn, Benton, Buchanan, Cedar, Delaware, Jones, Johnson, Iowa, Keokuk, Washington, Muscatine, Louisa, Scott, Clinton, Jackson, Dubuque, Clayton, Fayette, Bremer, Blackhawk, Tama, Poweshiek, Mahaska, Wapello, Jefferson, Henry, and Des Moines.

The financial deterioration resulting from the general economic conditions in this region have resulted in significant loan losses and declines in fair value of investments for the Credit Union and those with whom it does business, including corporate credit unions. The Credit Union continually monitors the Credit Union's operations, including the loan and investment portfolios, for potential impairment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Group Concentrations of Credit Risk (continued)

However, the loan portfolio is well diversified and the Credit Union does not have any significant concentrations of credit risk except automobile, residential, and member business real estate loans. The Credit Union repossesses collateral when all other collection efforts have been exhausted. The Credit Union has full and complete access to repossessed collateral. Repossessed collateral normally consists of vehicles and residential and member business real estate.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Financial Condition and the Consolidated Statements of Cash Flows, Cash and Cash Equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments with original maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the Board of Directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits.

Securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in Other Comprehensive Income (Loss). Realized gains and losses on securities available-for-sale are included in Non-Interest Income and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union’s intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more-likely-than-not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in Non-Interest Income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities (continued)

The Credit Union's Consolidated Statements of Income reflects the impairment (the difference between the security's amortized cost basis and fair value), if any, on debt securities that the Credit Union intends to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis. The credit component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected on cash flow projections.

Other Investments

Other investments are recorded at cost and evaluated for credit events resulting in other than temporary impairment.

Loans Held-For-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans to Members

The Credit Union grants consumer, mortgage, and member business loans to members and purchases loan participations. A substantial portion of the loan portfolio is represented by automobile and residential and member business real estate loans to members. A substantial portion of its members' ability to honor their loan agreements is dependent upon the economic stability of the various groups comprising the Credit Union's field of membership.

Loans the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net of deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time a loan is 90 days delinquent. Consumer loans are typically charged-off no later than 180 days past due. Loans may be charged-off at an earlier date if collection of principal or interest is considered doubtful. Past due loan status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

All interest accrued, but not collected for loans that are placed on nonaccrual or charged-off, is reversed against interest income. The interest on these loans is accounted for on the cash-basis method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Members (continued)

Loan origination fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the straight-line method, which approximates the interest method, over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss, and the levels of nonperforming loans. Specific allowances for loan losses are established for large non-homogeneous impaired loans on an individual basis. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (continued)

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Real Estate 1st Mortgage: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating. Loans in this pool are more likely to have collateral in the event of default as the Credit Union is in first position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (continued)

Other Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to the collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally are home equity lines that may possess a higher inherent risk of loss than the 1st mortgage portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating. Loans in this pool may or may not have collateral as the Credit Union is typically not in first position.

The portfolio segments that are risk rated and their risk characteristics are described as follows:

Member Business: Member business loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations. Other member business loans, generally lines of credit, are commonly underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The Credit Union assigns a risk rating to member business loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Rating 1 - Pass - minimal risk. Loans in this category have virtually no chance of resulting in a loss. These borrowers generally have the following characteristics:

- The borrower has been with the Credit Union for many years and has an excellent credit history.
- Cash flow is steady and well in excess of the required debt payment.
- The borrower has excellent access to alternative sources of financing at favorable terms.
- Management of the borrower is of high quality and has unquestioned character.
- The collateral, if required is cash or cash equivalent and is equal to or exceeds the value of the loan.
- The guarantor would achieve, approximately, this rating if borrowing individually from this Credit Union.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (continued)

Rating 2 - Pass - low risk. Loans in this category are very unlikely to result in a loss. These borrowers generally have the following characteristics:

- The borrower has an excellent credit history.
- The borrower's cash flow is steady and comfortably exceeds the required debt requirements plus other fixed charges.
- The borrower has good access to alternative sources of finance at favorable terms.
- Management of the borrower is of high quality and has unquestioned character.
- The collateral, if required, is sufficiently liquid and has a large enough margin to make the recovery of the full amount of the loan in the event of default very likely.
- The guarantor would achieve approximately the rating if borrowing individually from this Credit Union.

Rating 3 - Pass - moderate risk. Loans in this category have little chance in resulting in a loss. This category includes the average loan under average economic conditions. These borrowers generally have the following characteristics:

- The borrower has a good credit history.
- The borrower's cash flow may be subject to cyclical conditions, but is adequate to meet the required debt repayments plus other fixed charges even after a limited period of losses or in the event of a somewhat lower trend in earnings.
- The borrower has some access to alternative sources of finance at reasonable terms.
- The borrower has good management in important positions.
- Collateral, which would be required, is sufficiently liquid and has a large enough margin to make the recovery of the value of the loan in the event of default likely.
- The guarantor would achieve approximately the rating if borrowing individually from this Credit Union.

Rating 4 - Pass - acceptable risk. Loans in this category have a limited chance in resulting in a loss. These borrowers generally have the following characteristics:

- The borrower has only a fair credit history, but recent credit problems.
- The borrower's cash flow is currently adequate to meet required debt repayments, but it may not be sufficient in the event of significant adverse developments.
- The borrower has some limited access to alternative sources of finance, possibly at unfavorable terms.
- Some management weaknesses exist.
- Collateral, which would be required, is sufficient to make the recovery of the value of the loan in the event of default likely, but liquidating the collateral may be difficult or expensive.
- The guarantor would achieve this rating, or lower, if borrowing individually from this Credit Union.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (continued)

Rating 5 - Classified - Special Mention. Loans in this category have one or more inherent weaknesses that raise objective concern about the ability of the borrower to repay the debt as currently structured.

Rating 6 - Substandard. A loan is substandard when it is inadequately protected by the current sound worth and paying capacity of the borrower, guarantor, or collateral pledge. In this category, loans must have a well defined weakness that jeopardizes the liquidation of debt. Additional advances to borrowers with this classification are discouraged, except protective advances, or must have a well documented plan to upgrade in risk.

Rating 7 - Doubtful. A loan that is classified as doubtful has all the weaknesses inherent in one classified substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable. In this category, the possibility of loss is extremely high, but its classification as an estimated loss is deferred until a more exact status may be determined.

Rating 8 - Loss. A loan that is classified as a loss is considered uncollectible and of such little value that there is no justification to continuing them as loans. This does not mean that the loans have no recovery or salvage value; rather, that it is not practical to defer writing off the asset even though partial recovery may occur in the future.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan repossession or foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses. Foreclosed and repossessed assets totaled $1,905,250 and $49,202 at December 31, 2013 and 2012, respectively, and are included in Other Assets on the Consolidated Statements of Financial Condition.

Premises and Equipment, Net

Land is carried at cost. Buildings and improvements, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings and improvements and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

NCUSIF Deposit and NCUSIF and CCUSF Premium Assessments

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Legislation was passed by Congress to permit NCUA to create a temporary Corporate Credit Union Stabilization Fund (CCUSF) to absorb costs and borrowings incurred by the Fund related to the corporate credit union collapse. It is anticipated that the NCUA Board will assess annual premiums to repay these stabilization costs through the year 2021 at its discretion.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Contracts Receivable

The Credit Union's wholly-owned subsidiary manages properties that have been sold on real estate contract by the Credit Union. Real estate contracts receivable represents the amounts due from others on the sales of such real estate properties.

Members' Share and Savings Accounts

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which is set in advance, is based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required, by Iowa regulation, to maintain a statutory legal reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest. The Credit Union also maintains additional reserves in excess of the statutory requirement to help facilitate the growth of the Credit Union.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Comprehensive Income (Loss)
Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income, also recognized as a separate component of members' equity, includes valuation adjustments for securities available-for-sale and other gains and losses related to the Credit Union's defined benefit and post retirement plans.

The components of accumulated other comprehensive income (loss) included in members' equity, are as follow:

	2013	2012
Unrealized gain (loss) on securities available-for-sale	$ (668,592)	$ 3,321,955
Defined benefit plan	(2,898,034)	(9,122,571)
Post retirement benefits	61,921	(229,731)
	$ (3,504,705)	$ (6,030,347)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax

The Credit Union is exempt, under IRC 501(c)(14), from federal and state income taxes. The income from the CUSO, organized as an LLC, flows through to the Credit Union, and therefore is not subject to federal and state income taxes.

The Credit Union has filed tax returns in the past for activities they have deemed taxable. The taxing authorities have the ability to assess taxes, penalties, and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities potentially deemed to be unrelated to the Credit Union's exempt purpose is not expected to have a material effect on the Credit Union's financial position or results of operations.

The Credit Union evaluated its tax positions and determined no uncertain tax positions exist as of December 31, 2013 and 2012. The Credit Union's 2010 through 2013 tax years are open for examination by federal and state taxing authorities.

Pension Plan - Defined Benefit

The Credit Union has a qualified, non-contributory defined benefit pension plan covering substantially all of its employees. The Credit Union's policy is to fund at least the minimum amount recommended by the Plan Administrator. Effective April 1, 2009, the plan was amended and new employees are no longer eligible for participation in the plan. For the years ended December 31, 2013 and 2012, the Credit Union has elected to provide additional funding to the Plan.

Post Retirement Health Insurance and Life Insurance Plan

The Credit Union provides certain health care benefits for all retired employees that meet certain eligibility requirements. Employees become eligible for those benefits if they retire while working for the Credit Union subject to certain service year requirements. The estimated cost for the post retirement health care benefits has been accrued on an actuarially determined basis.

Deferred Compensation Plan [Section 457(b)]

The Credit Union has a non-qualified deferred compensation plan for members of management. The Credit Union makes discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation.

The balance of the deferred compensation arrangement was $67,511 and $43,084 as of December 31, 2013 and 2012, respectively. Deferred compensation expense was not material for the years ended December 31, 2013 and 2012, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan - 401(k)

The Credit Union provides a 401(k) employee benefit plan covering substantially all employees who have completed at least one year of service and met minimum age requirements. The Credit Union offers an enhanced 401(k) option to employees not eligible for participation in the defined pension plan. The Credit Union's contributions to the plan were $391,224 and $281,922, respectively, for the years ended December 31, 2013 and 2012.

Advertising Costs

Advertising expense totaled $559,614 and $511,279 for the years ended December 31, 2013 and 2012, respectively, and are expensed as incurred.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value in a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows.

Level 1 Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through April 14, 2014, the date the consolidated financial statements were available to be issued.

Reclassification of 2012 Data

Data in the 2012 consolidated financial statements has been reclassified to conform with the presentation of the 2013 consolidated financial statements. This reclassification did not have any change on net income or members' equity.

NOTE 2 - SECURITIES AND OTHER INVESTMENTS

The amortized cost and estimated fair value of securities available-for-sale are as follows:

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Carrying Value)
U.S. Government Residential Mortgage-Backed Securities	$ 19,535,147	$ 726,933	$ (27,862)	$ 20,234,218
U.S. Government Commercial Mortgage-Backed Securities	89,471,801	651,021	(2,340,146)	87,782,676
Private-Label Commercial Mortgage-Backed Securities	1,429,232	1,292	(67,320)	1,363,204
Equity Securities, Other	26,293,809	387,490	-	26,681,299
	$ 136,729,989	$ 1,766,736	$ (2,435,328)	$ 136,061,397

December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Carrying Value)
U.S. Government Residential Mortgage-Backed Securities	$ 28,434,003	$ 1,499,337	$ (452)	$ 29,932,888
U.S. Government Commercial Mortgage-Backed Securities	71,336,435	1,582,682	(659)	72,918,458
Private-Label Commercial Mortgage-Backed Securities	2,311,157	6,495	(39,517)	2,278,135
Equity Securities, Other	16,089,780	274,069	-	16,363,849
	$ 118,171,375	$ 3,362,583	$ (40,628)	$ 121,493,330

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Sales of securities available-for-sale resulted in gross gains of $435,058 and $22,140 and gross losses of $3,084 and $19,519 during the years ended December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, available-for-sale securities carried at $37,911,766 and $51,415,227, respectively, were pledged as collateral to secure borrowed funds.

As all the available-for-sale securities are either mortgage-backed or equity securities, there are no defined bullet maturities.

Temporarily Impaired Securities

Information pertaining to securities with gross unrealized losses by investment category and length of time that individual securities have been in a continuous loss position is as follows:

December 31, 2013	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Government Residential Mortgage-Backed Securities	$ (27,817)	$ 2,691,497	$ (45)	$ 14,448
U.S. Government Commercial Mortgage-Backed Securities	(2,340,146)	66,150,001	-	-
Private-Label Commercial Mortgage-Backed Securities	(13,997)	227,341	(53,323)	604,203
Equity securities, other	-	-	-	-
Total Available-for-Sale	$ (2,381,960)	$ 69,068,839	$ (53,368)	$ 618,651

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2012	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Government Residential Mortgage-Backed Securities	$ (446)	$ 162,260	$ (6)	$ 30,476
U.S. Government Commercial Mortgage-Backed Securities	(659)	1,680,183	-	-
Private-Label Commercial Mortgage-Backed Securities	-	-	(39,517)	813,147
Equity securities, other	-	-	-	-
Total Available-for-Sale	$ (1,105)	$ 1,842,443	$ (39,523)	$ 843,623

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (CONTINUED)

At December 31, 2013, the 15 securities with unrealized losses have depreciated 3.16% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. Government, and/or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other-than-temporary (other than an immaterial portion of a private-label commercial mortgage-backed security).

Other-Than-Temporary Impairment

The Credit Union routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an OTTI has occurred. Economic models are used to determine whether an OTTI has occurred on these securities. While all securities are considered, the securities primarily impacted by OTTI testing are the private-label commercial mortgage-backed securities (MBS). For each private-label MBS in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an OTTI has occurred. Various inputs to the economic model are used to determine if an unrealized loss is other-than-temporary. The most significant inputs are the default rate and severity.

Other inputs may include the actual collateral attributes, which include geographic concentrations, credit ratings, and other performance indicators of the underlying asset.

To determine if the unrealized loss for private-label MBS is other-than-temporary, the Credit Union projects total estimated defaults of the underlying assets (mortgages) and multiply that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the impact on cash flows. If the Credit Union determines that a given MBS position will be subject to a write-down or loss, the Credit Union records the expected credit loss as a charge to earnings while the non-credit portion is recorded to Other Comprehensive Income (Loss). There was an OTTI loss of $3,084 reported for year ended December 31, 2013. There was no OTTI recognized during the year ended December 31, 2012.

Investment Risk

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Other Investments

Other investments are summarized as follows:

	December 31, 2013	December 31, 2012
Membership Capital Shares in Iowa League Corporate Central Credit Union	$ -	$ 200,000
FHLB Stock	872,400	1,712,500
Reserve Account at NCB, FSB	7,300,000	7,300,000
	$ 8,172,400	$ 9,212,500

Membership Capital Shares
The Credit Union was required to maintain balances with a corporate credit union as membership shares that are uninsured and require a notice before withdrawal.

FHLB Stock
The Credit Union has an investment in Federal Home Loan Bank (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

Reserve Account
The Credit Union has a required minimum balance with a correspondent bank and is required to give notice before withdrawal. The Credit Union has provided the required notification and withdrew a portion of the restricted deposit during 2012.

NOTE 3 - LOANS, NET

The composition of loans to members is as follows:

	2013	2012
Consumer:		
Consumer	$ 132,718,080	$ 119,578,709
Credit Card	14,768,345	14,337,087
Overdraft	504,339	408,313
Subtotal	147,990,764	134,324,109
Real Estate 1st Mortgage	234,775,163	214,207,311
Other Real Estate	58,719,205	77,800,842
Member Business	86,517,160	88,598,058
	528,002,292	514,930,320
Net Deferred Loan Origination Costs	1,266,577	181,044
Allowance for Loan Losses	(6,395,652)	(6,195,483)
	$ 522,873,217	$ 508,915,881

The Credit Union has purchased loan participations originated by another credit union, which are secured by commercial real estate owned by members of another credit union. All were purchased without recourse. The Credit Union does not perform any loan servicing functions on these loans. The balances as of December 31, 2013 and 2012 were $9,280,676 and $13,917,308, respectively and are included in the member business loan segment above.

The Credit Union has pledged $212,889,042 and $219,759,184 in 1-4 family conventional mortgages to secure an open line of credit with the Federal Home Loan Bank as of December 31, 2013 and 2012, respectively (See Note 6).

NOTE 3 - LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows:

December 31, 2013	Consumer	Real Estate 1st Mortgage	Other Real Estate	Member Business	Total
Allowance for Loan Losses:					
Balance at Beginning of Year	$ 1,439,157	$ 86,226	$ 228,306	$ 4,441,794	$ 6,195,483
Provision (Credit) for Loan Losses	1,162,777	363,874	98,099	217,573	1,842,323
Loans Charged-Off	(1,293,716)	(441,170)	(208,375)	(140,342)	(2,083,603)
Recoveries of Loans Previously Charged-Off	262,173	176,541	2,735	-	441,449
Balance at End of Year	$ 1,570,391	$ 185,471	$ 120,765	$ 4,519,025	$ 6,395,652
Ending Balance: Individually Evaluated for Impairment	$ 33,990	$ 20,000	$ 20,775	$ 4,399,042	$ 4,473,807
Ending Balance: Collectively Evaluated for Impairment	1,536,401	165,471	99,990	119,983	1,921,845
Total Allowance for Loan Losses	$ 1,570,391	$ 185,471	$ 120,765	$ 4,519,025	$ 6,395,652
Loans:					
Ending Balance: Individually Evaluated for Impairment	$ 5,444,418	$ 159,193	$ 124,364	$ 15,311,607	$ 21,039,582
Ending Balance: Collectively Evaluated for Impairment	142,546,346	234,615,970	58,594,841	71,205,553	506,962,710
Total Loans	$ 147,990,764	$ 234,775,163	$ 58,719,205	$ 86,517,160	$ 528,002,292

NOTE 3 - LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows (continued):

December 31, 2012	Consumer	Real Estate 1st Mortgage	Other Real Estate	Member Business	Total
Allowance for Loan Losses:					
Balance at Beginning of Year	$ 1,379,453	$ 32,175	$ 340,729	$ 1,394,970	$ 3,147,327
Provision (Credit) for Loan Losses	870,466	80,174	(43,220)	3,112,180	4,019,600
Loans Charged-Off	(1,023,887)	(109,918)	(101,799)	(66,297)	(1,301,901)
Recoveries of Loans Previously Charged-Off	213,125	83,795	32,596	941	330,457
Balance at End of Year	$ 1,439,157	$ 86,226	$ 228,306	$ 4,441,794	$ 6,195,483
Ending Balance: Individually Evaluated for Impairment	$ 38,905	$ 60,000	$ 143,100	$ 4,379,343	$ 4,621,348
Ending Balance: Collectively Evaluated for Impairment	1,400,252	26,226	85,206	62,451	1,574,135
Total Allowance for Loan Losses	$ 1,439,157	$ 86,226	$ 228,306	$ 4,441,794	$ 6,195,483
Loans:					
Ending Balance: Individually Evaluated for Impairment	$ 382,818	$ 676,400	$ 376,775	$ 18,850,442	$ 20,286,435
Ending Balance: Collectively Evaluated for Impairment	133,941,291	213,530,911	77,424,067	69,747,616	494,643,885
Total Loans	$ 134,324,109	$ 214,207,311	$ 77,800,842	$ 88,598,058	$ 514,930,320

NOTE 3 - LOANS, NET (CONTINUED)

The following tables show the member business loan portfolio segment allocated by management's internal risk ratings:

	December 31, 2013	December 31, 2012
Risk Rating:		
Pass	$ 71,382,917	$ 69,747,613
Classified	9,024,002	11,381,337
Substandard	6,074,700	7,421,464
Doubtful	35,541	47,644
Loss	-	-
Total	$ 86,517,160	$ 88,598,058

The following tables show the classes within the consumer homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

December 31, 2013

	Consumer	Credit Card	Overdraft	Total
Payment Activity:				
Performing	$ 132,048,936	$ 14,768,345	$ 504,339	$ 147,321,620
Non-Performing	669,144	-	-	669,144
Total	$ 132,718,080	$ 14,768,345	$ 504,339	$ 147,990,764

December 31, 2012

	Consumer	Credit Card	Overdraft	Total
Payment Activity:				
Performing	$ 119,071,484	$ 14,239,150	$ 408,313	$ 133,718,947
Non-Performing	507,225	97,937	-	605,162
Total	$ 119,578,709	$ 14,337,087	$ 408,313	$ 134,324,109

NOTE 3 - LOANS, NET (CONTINUED)

The following tables show the homogeneous residential real estate loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

December 31, 2013	Real Estate 1st Mortgage	Other Real Estate	Total
Payment Activity:			
Performing	$ 234,093,172	$ 58,541,213	$ 292,634,385
Non-Performing	681,991	177,992	859,983
Total	$ 234,775,163	$ 58,719,205	$ 293,494,368

December 31, 2012	Real Estate 1st Mortgage	Other Real Estate	Total
Payment Activity:			
Performing	$ 212,578,212	$ 77,613,117	$ 290,191,329
Non-Performing	1,629,099	187,725	1,816,824
Total	$ 214,207,311	$ 77,800,842	$ 292,008,153

The following tables show an aging analysis of the loan portfolio by time past due:

December 31, 2013	Accruing Interest				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Consumer:					
Consumer	$130,532,729	$ 1,516,207	$ -	$ 669,144	$132,718,080
Credit Card	14,548,188	220,157	-	-	14,768,345
Overdraft	504,339	-	-	-	504,339
Real Estate 1st Mortgage	230,068,501	4,024,671	-	681,991	234,775,163
Other Real Estate	58,325,374	215,839	-	177,992	58,719,205
Member Business	80,531,231	5,017,750	-	968,179	86,517,160
	$514,510,362	$ 10,994,624	$ -	$ 2,497,306	$528,002,292

NOTE 3 - LOANS, NET (CONTINUED)

December 31, 2012	Accruing Interest				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Consumer:					
Consumer	$117,974,836	$ 1,096,648	$ -	$ 507,225	$119,578,709
Credit Card	14,149,542	89,608	-	97,937	14,337,087
Overdraft	404,290	4,023	-	-	408,313
Real Estate 1st Mortgage	208,915,287	3,662,925	-	1,629,099	214,207,311
Other Real Estate	77,312,273	300,844	-	187,725	77,800,842
Member Business	81,241,822	600,362	-	6,755,874	88,598,058
	$499,998,050	$ 5,754,410	$ -	$ 9,177,860	$514,930,320

Interest income foregone on non-accrual loans was $250,442 and $283,123 for the years ended December 31, 2013 and 2012, respectively.

The following tables present information related to impaired loans:

December 31, 2013	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With an Allowance Recorded:			
Consumer:			
Consumer	$ 5,444,418	$ 33,990	$ 2,913,618
Real Estate 1st Mortgage	159,193	20,000	417,797
Other Real Estate	124,364	20,775	250,569
Member Business	15,311,607	4,399,042	17,081,024
Total	$ 21,039,582	$ 4,473,807	$ 20,663,008

NOTE 3 - LOANS, NET (CONTINUED)

December 31, 2012 With an Allowance Recorded:	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Consumer:			
Consumer	$ 382,818	$ 38,905	$ 457,102
Credit Card	-	-	48,954
Real Estate 1st Mortgage	676,400	60,000	1,107,183
Other Real Estate	376,775	143,100	309,905
Member Business	18,850,442	4,379,343	9,890,428
Total	$ 20,286,435	$ 4,621,348	$ 11,813,572

The recorded investment in impaired loans materially approximates the amount reported as unpaid impaired loan balances as of December 31, 2013 and 2012.

Interest collected on impaired loans for the years ended December 31, 2013 and 2012 was not significant as interest is not accrued on non-accrual loans or other loans past-due 90 days or more.

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in nonaccrual.

NOTE 3 - LOANS, NET (CONTINUED)

Summaries of loans modified in troubled debt restructurings during the years ended December 31, 2013 and 2012 are as follows. Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

	During the Year Ended December 31, 2013	
	Troubled Debt Restructurings	
	Number of Loans	Post-Modification Outstanding Balance
Consumer	9	$ 132,736
Member Business	7	5,719,541
	16	$ 5,852,277

	During the Year Ended December 31, 2012	
	Troubled Debt Restructurings	
	Number of Loans	Post-Modification Outstanding Balance
Consumer	5	$ 58,911
Member Business	5	5,745,322
	10	$ 5,804,233

NOTE 3 - LOANS, NET (CONTINUED)

Summaries of loans modified in troubled debt restructurings for which there was a payment default during the years ended December 31, 2013 and 2012 are as follows:

	During the Year Ended December 31, 2013	
	Troubled Debt Restructurings that Subsequently Defaulted	
	Number of Loans	Post-Modification Outstanding Balance
Consumer	7	$ 46,027
Member Business	6	5,270,716
	13	$ 5,316,743

	During the Year Ended December 31, 2012	
	Troubled Debt Restructurings that Subsequently Defaulted	
	Number of Loans	Post-Modification Outstanding Balance
Consumer	2	$ 14,490
Member Business	3	5,193,070
	5	$ 5,207,560

NOTE 4 - PREMISES AND EQUIPMENT, NET

The Credit Union's premises and equipment is summarized as follows:

	December 31, 2013	December 31, 2012
Land and Land Improvements	$ 3,046,059	$ 3,025,778
Building	9,661,636	9,623,767
Office Furniture and Equipment	5,901,111	5,539,490
Leasehold Improvements	975,602	938,671
	19,584,408	19,127,706
Less: Accumulated Depreciation and Amortization	(10,892,100)	(9,993,269)
	$ 8,692,308	$ 9,134,437

Depreciation and amortization expense recognized related to premises and equipment during the years ended December 31, 2013 and 2012 was $969,560 and $927,490, respectively.

Lease Commitments

The Credit Union leases certain office facilities under noncancelable operating leases expiring in various years through November 2018. The leases contain renewal options for periods up to five years at their fair rental value at the time of renewal. Net rent expense under operating leases, included in Occupancy expenses, was approximately $128,000 and $107,000 for the years ended December 31, 2013 and 2012, respectively.

The required minimum rental payments under the terms of these noncancelable leases at December 31, 2013 are as follows:

Years Ending December 31:	
2014	$ 208,882
2015	175,601
2016	175,601
2017	114,453
2018	37,333
Total	$ 711,870

Minimum lease payments exclude rentals under renewal options which, as of December 31, 2013, are not reasonably assured of being exercised.

NOTE 5 - MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	December 31, 2013	December 31, 2012
Regular Share Accounts	$ 104,800,764	$ 93,884,091
Share Draft Accounts	116,698,947	109,097,852
Money Market Accounts	188,858,638	188,445,109
IRA Share Accounts	6,615,459	5,879,211
Total Share Accounts	416,973,808	397,306,263
Share and IRA Certificates		
0.00% to 1.00%	55,953,864	38,434,200
1.01% to 2.00%	123,174,465	100,267,708
2.01% to 3.00%	50,965,019	81,957,861
3.01% to 4.00%	11,187,018	11,599,710
Total Certificate Accounts	241,280,366	232,259,479
Total Members' Share and Savings Accounts	$ 658,254,174	$ 629,565,742

The aggregate amounts of members' share and savings accounts in denominations of $100,000 or more were $297,771,849 and $275,215,887 at December 31, 2013 and 2012, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled $504,339 and $408,313 at December 31, 2013 and 2012, respectively.

As of December 31, 2013, scheduled maturities of share and IRA certificates are as follows:

Years Ending December 31:	
2014	$ 87,546,889
2015	64,691,131
2016	33,021,460
2017	44,709,134
2018	11,311,752
Total	$ 241,280,366

Member accounts are insured to at least $250,000 by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 6 - BORROWED FUNDS

The Credit Union maintains lines of credit with the following institutions as described below:

December 31, 2013	NCB	Wells Fargo	FHLB of Des Moines	Federal Reserve Bank	Total
Total Available	$ 5,475,000	$ 20,000,000	$ 212,889,042	$ 12,862,147	$ 251,226,189
Borrowed	-	-	-	-	-
Remaining Available	$ 5,475,000	$ 20,000,000	$ 212,889,042	$ 12,862,147	$ 251,226,189
Rate at December 31, 2013	N/A	N/A	N/A	N/A	

December 31, 2012	NCB	Wells Fargo	FHLB of Des Moines	Federal Reserve Bank	Total
Total Available	$ 5,475,000	$ 20,000,000	$ 219,759,184	$ 21,087,043	$ 266,321,227
Borrowed	-	-	20,000,000	-	20,000,000
Remaining Available	$ 5,475,000	$ 20,000,000	$ 199,759,184	$ 21,087,043	$ 246,321,227
Rate at December 31, 2012	N/A	N/A	0.32%	N/A	

The line of credit at NCB is collateralized by a restricted money market balance of $7,300,000 at December 31, 2013 and 2012, respectively.

The Wells Fargo line of credit is collateralized by investment securities with a carrying value of $24,733,107 and $30,328,184 as of December 31, 2013 and 2012, respectively. The amount outstanding available on this line of credit may not exceed the carrying value of the securities pledged.

The FHLB line of credit is collateralized by 1-4 family conventional first mortgages with a carrying value of $212,889,042 and $219,759,184 at December 31, 2013 and 2012, respectively.

The Federal Reserve Bank line of credit is collateralized by investment securities with a carrying value of $13,178,659 and $21,087,043 as of December 31, 2013 and 2012, respectively.

NOTE 7 - REGULATORY NET WORTH REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct and material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for Prompt Corrective Action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth (as defined in the regulation) to assets. Credit Unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 2013, the most recent quarterly regulatory filing date, was 6.05%. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2013, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2013, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory frame work for Prompt Corrective Action. To be categorized as "well capitalized", the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institutions category.

The Credit Union's actual capital amounts and ratios are also presented in the following tables.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
December 31, 2013	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Net Worth	$ 75,684,343	10.26%	$ 44,279,909	6.00%	$ 51,659,894	7.00%
Risk-Based Net Worth Requirement	$ 44,648,909	6.05%	N/A	N/A	N/A	N/A

NOTE 7 - REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
December 31, 2012	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Net Worth	$ 69,729,835	9.59%	$ 43,617,273	6.00%	$ 50,886,819	7.00%
Risk-Based Net Worth Requirement	$ 42,963,014	5.91%	N/A	N/A	N/A	N/A

Because the RBNW ratio at December 31, 2013 of 6.05% is less than the actual net worth ratio of 10.26%, the Credit Union retains its original assigned category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 8 - RELATED PARTY TRANSACTIONS

Included in Loans, Net at December 31, 2013 and 2012, are loans to the Credit Union's Board of Directors, Committee Members, and Senior Executive Staff of $3,723,706 and $2,940,313, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's Board of Directors, Committee Members, and Senior Executive Staff held by the Credit Union at December 31, 2013 and 2012 are $3,052,763 and $2,279,453, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

Off Balance Sheet Activities
The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the financial statements.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31, 2013	December 31, 2012
Commitments to Extend Credit:		
Open-End Loans	$ 3,252,212	$ 2,545,774
Home-Equity Lines of Credit	17,728,534	18,804,938
Credit Cards	46,534,746	37,336,683
Commercial Lines of Credit	7,617,906	6,134,483
Mortgage Loan Commitments	840,293	1,067,786
Overdraft Lines	21,307,530	21,007,836
	$ 97,281,221	$ 86,897,500

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Credit Union upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate and member share balances.

Unfunded commitments under commercial lines-of-credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

Legal Contingencies

The Credit Union is periodically a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the Credit Union's financial condition.

NOTE 10 - FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
U.S. Government Residential Mortgage-Backed Securities	$ -	$ 20,234,218	$ -	$ 20,234,218
U.S. Government Commercial Mortgage-Backed Securities	-	87,782,676	-	87,782,676
Private-Label Commercial Mortgage-Backed Securities	-	1,363,204	-	1,363,204
Equity Securities, Other	26,681,299	-	-	26,681,299
Total Assets, at Fair Value	$ 26,681,299	$ 109,380,098	$ -	$ 136,061,397

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
U.S. Government Residential Mortgage-Backed Securities	$ -	$ 29,932,888	$ -	$ 29,932,888
U.S. Government Commercial Mortgage-Backed Securities	-	72,918,458	-	72,918,458
Private-Label Commercial Mortgage-Backed Securities	-	2,278,135	-	2,278,135
Equity Securities, Other	16,363,849	-	-	16,363,849
Total Assets, at Fair Value	$ 16,363,849	$ 105,129,481	$ -	$ 121,493,330

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

NOTE 10 - FAIR VALUE (CONTINUED)

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2013 and 2012 consisted of the following:

December 31, 2013	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans, Net of Valuation Allowance	$ -	$ -	$ 16,565,775	$ 4,473,807
Foreclosed Assets	-	-	1,905,250	-

December 31, 2012	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans, Net of Valuation Allowance	$ -	$ -	$ 15,665,087	$ 4,621,348
Foreclosed Assets	-	-	49,202	-

NOTE 10 - FAIR VALUE (CONTINUED)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

December 31, 2013		Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans, Net of Valuation Allowance	$	16,565,775	Evaluation of Collateral	Estimation of Value	Not Meaningful
Foreclosed Assets		1,905,250	Appraisal	Appraisal Adjustment	2.2%-20.0%

December 31, 2012		Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans, Net of Valuation Allowance	$	15,665,087	Evaluation of Collateral	Estimation of Value	Not Meaningful
Foreclosed Assets		49,202	Appraisal	Appraisal Adjustment	2.2%-20.0%

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

Foreclosed Assets

Foreclosed assets are measured at their fair values, less estimated costs to sell based on recent appraisals.

NOTE 10 - FAIR VALUE (CONTINUED)

Financial Instruments

The following disclosures represent financial instruments in which the ending balances at December 31, 2013 and 2012 are not carried at fair value in their entirety on the Consolidated Statements of Financial Condition.

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents approximate their fair value.

Other Investments: The carrying amounts of other investments approximate their fair value.

Loans Held-For-Sale: Carrying value approximates fair value for loans held-for-sale based on the short time the Credit Union holds them before they are sold on the secondary market.

Loans, Net and Real Estate Contracts Receivable: Fair value for loans, net, is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loan prepayments are assumed to occur at a similar rate as in previous periods. Real estate contracts receivable are based on market prices for similar contracts and are based on estimated cash flow analyses using interest rates currently being offered for similar products.

Accrued Interest Receivable: Accrued interest receivable represents interest on loans and investments. The carrying amounts of accrued interest receivable approximate their fair value.

Members' Share and Savings Accounts: The fair values disclosed for share draft, regular savings, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term share certificates approximate their fair values at the reporting date. Fair values for fixed-rate share certificates are estimated using a discounted cash flow calculation that applies interest rates currently being offered on share certificates to a schedule of aggregated expected monthly maturities on share certificates.

Borrowed Funds: The carrying amounts of borrowed funds maturing within 90 days approximate their fair values. Fair values of other borrowed funds are estimated using discounted cash flow analyses based on the Credit Union's current incremental borrowing rates for similar types of borrowing arrangements

Accrued Interest Payable: The carrying amounts of accrued interest payable approximate their fair values.

Off-Balance-Sheet Instruments: The estimated fair value of the commitments to extend credit represents the Credit Union's potential unfunded commitments under such lines-of-credit.

NOTE 10 - FAIR VALUE (CONTINUED)

The following table presents the carrying amounts and estimated fair values of the Credit Union's financial instruments at December 31:

	2013		2012	
Financial Assets:	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and Cash Equivalents	$ 48,270,295	$ 48,270,295	$ 53,860,235	$ 53,860,235
Other Investments	8,172,400	8,172,400	9,212,500	9,212,500
Loans Held-for-Sale	2,708,345	2,708,345	14,802,769	14,802,769
Loans, Net	522,873,217	518,473,925	508,915,881	505,014,395
Accrued Interest Receivable	1,713,062	1,713,062	1,757,711	1,757,711
Real Estate Contracts Receivable	-	-	616,750	616,817

	2013		2012	
Financial Liabilities:	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Members' Share and Savings Accounts	$ 658,254,174	$ 662,289,576	$ 629,565,742	$ 634,409,620
Borrowed Funds	-	-	20,000,000	20,000,000
Accrued Interest Payable	67,366	67,366	61,876	61,876

NOTE 11 - PENSION PLAN

The Credit Union has a qualified, non-contributory defined benefit pension plan covering substantially all employees. Participation is limited to employees who were employed prior to April 1, 2009, and have completed at least one-half year of service and reached twenty years of age. Employees are entitled to annual pension benefits equal to 50% of their average monthly compensation, at the earlier of attaining the normal retirement age of 65 or 55 with 30 years of service.

However, pension benefits will be reduced by one-thirtieth for each year of service less than 30 at the employee's normal retirement date. Vesting is based on years of service with the Credit Union. Employees are fully vested after seven years of service.

NOTE 11 - PENSION PLAN (CONTINUED)

The following sets forth the funded status, change in plan assets, and net periodic benefit costs for the plan at December 31:

	2013	2012
Projected benefit obligation	$ 14,578,368	$ 20,570,956
Fair value of plan assets	$ 14,772,257	$ 15,328,028
Funded status of plan at year end	$ 193,889	$ (5,242,928)
Accumulated benefit obligation	$ 11,451,514	$ 16,390,264

Assumptions used to determine benefit obligation:	2013	2012
Discount rate	5.25%	4.25%
Rate of compensation increase	3.00%	3.00%

	2013	2012
Employer contributions	$ 1,500,000	$ 1,800,000
Benefits paid	$ 4,313,648	$ 887,311
Net pension cost	$ 2,287,720	$ 1,425,017

Assumptions used to determine net pension cost:	2013	2012
Discount rate	4.25%	4.50%
Expected long-term rate of return on assets	7.50%	7.50%
Rate of compensation increase	3.00%	3.00%

The following sets forth the amounts recognized in the Consolidated Statements of Financial Condition at December 31:

	2013	2012
Other asset / (accrued expenses and other liabilities)	$ 193,889	$ (5,242,928)

NOTE 11 - PENSION PLAN (CONTINUED)

The following sets forth the amounts recognized in Accumulated Other Comprehensive Income at December 31:

	2013	2012
Net loss	$ 2,898,034	$ 9,122,571
Prior service cost (credit)	-	-
Transition obligation (asset)	-	-
Total loss recognized	$ 2,898,034	$ 9,122,571
Total recognized in other comprehensive income (loss)	$ 6,224,537	$ (457,218)

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

The overall expected long-term rate of return on plan assets represents a weighted average composition rate based on expected rates of return. The Credit Union's pension plan weighted-average asset allocations, which are in line with their target allocations, by asset category at December 31 are as follows:

	2013	2012
Equity securities	63%	64%
Debt securities	36%	35%
Other	1%	1%
	100%	100%

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States. Debt securities primarily include mortgage-backed securities and U.S. Treasuries. Other types of investments consist of various money market funds.

Such rates are estimated by adjusting historical results for each category of investment for anticipated market movement.

NOTE 11 - PENSION PLAN (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Money market funds: Valued at cost, which is equal to fair market value.

U.S. Government agency obligations and corporate and municipal bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The fair value of the Credit Union's pension plan assets categorized by the levels described in Note 1 at December 31, 2013 by asset category are as follows:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 2,764,697	$ -	$ -	$ 2,764,697
World allocated funds	831,805	-	-	831,805
Large cap funds	3,078,507	-	-	3,078,507
Mid cap funds	2,864,892	-	-	2,864,892
Small cap funds	398,736			398,736
International funds	2,074,454	-	-	2,074,454
Money market funds	-	215,450	-	215,450
U.S. government agency obligations	-	615,301	-	615,301
Corporate bonds	-	379,102	-	379,102
Municipal bonds	-	1,549,313	-	1,549,313
Total assets, at fair value	$ 12,013,091	$ 2,759,166	$ -	$ 14,772,257

NOTE 11 - PENSION PLAN (CONTINUED)

The fair value of the Credit Union's pension plan assets categorized by the levels described in Note 1, at December 31, 2012 by asset category are as follows:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 2,858,265	$ -	$ -	$ 2,858,265
World allocated funds	795,167	-	-	795,167
Large cap funds	3,121,434	-	-	3,121,434
Mid cap funds	3,396,678	-	-	3,396,678
Small cap funds	364,127			364,127
International funds	2,152,335	-	-	2,152,335
Money market funds	-	162,181	-	162,181
U.S. government agency obligations	-	652,857	-	652,857
Corporate bonds	-	538,973	-	538,973
Municipal bonds	-	1,286,011	-	1,286,011
Total assets, at fair value	$ 12,688,006	$ 2,640,022	$ -	$ 15,328,028

The Credit Union's expected contribution for 2014 is $1,000,000.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending December 31:

2014	$ 557,222
2015	519,856
2016	912,920
2017	1,616,099
2018	1,638,574
Five years thereafter	6,367,455

NOTE 12 - POST RETIREMENT PLAN

The Credit Union sponsors plans to provide selected health care and life insurance benefits for retired employees. Employees may become eligible for those benefits if they retire while working for the Credit Union subject to certain service year requirements. Benefits and eligibility rules may be modified from time to time.

NOTE 12 - POST RETIREMENT PLAN (CONTINUED)

The following sets forth the funded status, change in plan assets, and net periodic benefit costs for the plan at December 31:

	2013	2012
Accumulated benefit obligation	$ 1,064,543	$ 1,223,390
Fair value of plan assets	$ 784,908	$ 740,814
Funded status of plan at year end	$ (279,635)	$ (482,576)
Assumptions used to determine accumulated benefit obligation:		
Discount rate	5.25%	4.25%
Rate of compensation increase	3.00%	3.00%

	2013	2012
Employer contributions	$ -	$ -
Benefits paid	$ 18,336	$ 8,592
Net post-retirement benefit cost	$ 88,711	$ 112,436
Assumptions used to determine net post-retirement benefit cost:		
Discount rate	4.25%	4.50%
Expected long-term rate of return on assets	6.00%	6.00%
Rate of compensation increase	3.00%	3.00%

The following sets forth the amounts recognized in the Consolidated Statements of Financial Condition at December 31:

	2013	2012
Accrued expenses and other liabilities	$ 279,635	$ 482,576

NOTE 12 - POST RETIREMENT PLAN (CONTINUED)

The following sets forth the amounts recognized in Accumulated Other Comprehensive Income at December 31:

	2013	2012
Net (gain) loss	$ (61,921)	$ 229,731
Prior service cost (credit)	-	-
Transition obligation (asset)	-	-
Total (gain) loss recognized	$ (61,921)	$ 229,731
Total recognized in other comprehensive (income) loss	$ 291,652	$ (131,217)

Rate of increase in health care costs at December 31:

	2013	2012
0 through 5 years	8.00%	8.00%
6 through 10 years	5.00%	5.00%
11 years and over	5.00%	5.00%

The rate of increase in medical care costs is 8.00% in 2014; grading to an ultimate rate of 5.00% over 6 years. The rate of increase in dental costs is 4.50% in 2014; grading to an ultimate rate of 3.50% over 4 years.

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

NOTE 12 - POST RETIREMENT PLAN (CONTINUED)

The overall expected long-term rate of return on plan assets represents a weighted average composition rate based on expected rates of return. The Credit Union's pension plan weighted-average asset allocations, which are in line with their target allocations, by asset category at December 31, 2013 and 2012 is as follows:

	2013	2012
Equity securities	31%	36%
Debt securities	67%	62%
Other	2%	2%
	100%	100%

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States. Debt securities primarily include mortgage-backed securities and U.S. Treasuries. Other types of investments consist of various money market funds.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Money market funds: Valued at cost, which is equal to fair market value.

U.S. Government agency obligations and corporate and municipal bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The fair value of the Credit Union's post retirement plan assets at December 31, 2013 by asset category are as follows:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 348,097	$ -	$ -	$ 348,097
World allocated funds	14,445	-	-	14,445
Large cap funds	72,565	-	-	72,565
Mid cap funds	97,553	-	-	97,553
Small cap funds	25,305			25,305
International funds	37,261	-	-	37,261
Money market funds	-	10,287	-	10,287
U.S. government agency obligations	-	25,082	-	25,082
Corporate bonds	-	50,398	-	50,398
Municipal bonds	-	103,915	-	103,915
Total assets, at fair value	$ 595,226	$ 189,682	$ -	$ 784,908

NOTE 12 - POST RETIREMENT PLAN (CONTINUED)

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 272,143	$ -	$ -	$ 272,143
World allocated funds	16,790	-	-	16,790
Large cap funds	75,156	-	-	75,156
Mid cap funds	112,563	-	-	112,563
Small cap funds	24,119			24,119
International funds	38,319	-	-	38,319
Money market funds	-	16,715	-	16,715
U.S. government agency obligations	-	25,685	-	25,685
Corporate bonds	-	51,774	-	51,774
Municipal bonds	-	107,550	-	107,550
Total assets, at fair value	$ 539,090	$ 201,724	$ -	$ 740,814

The Credit Union’s expected contribution for 2014 is $-0-.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending December 31:

2014	$ 39,626
2015	44,484
2016	51,599
2017	67,474
2018	60,500
Five years thereafter	370,331